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IMPACT OF AUSTRIAN SETTLEMENT

I. Most important question; what is impact on German rearmament?

A. Bundestag leaders feel settlement will cause initial upsurge West German neutrality.

B. However, settlement had no ^{apparent} effect on Lower Saxony elections (26 Apr), which followed pattern other recent state elections.

C. Parties of Adenauer's federal coalition (Christian Democrats, Free Democrats, German Party and Refugee Party) polled higher vote than ever before.

1. Combined vote was 59%, compared with 50.3% in '51 Landtag vote, 54.8% in '53 Federal vote.

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2. Social Democrats, who brought Austrian issue into last stages of campaign, polled ~~only~~ 35.2% of vote (compared with 33% in '51, and 30.0% in '53).
3. Losers were extreme rightists and Communists, who dropped to under 6% of vote (compared with some 14% in '51).
4. Issues in Saxon election essentially local. We watching for longer-term effects on West German anti-rearmament, neutralist sentiment.

II. Western observers are in conflict on question Soviet motivation.



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1. Give Moscow more time to work against West German rearmament.
2. Stimulate independent Bonn foreign policy following restoration of sovereignty.

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